

U-999/M-91-554 ORDER AUTHORIZING VOLUNTARY DIRECT CONTRIBUTIONS  
TO NRRI BY MINNESOTA UTILITIES AND TELEPHONE COMPANIES

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm  
Tom Burton  
Cynthia A. Kitlinski  
Dee Knaak  
Norma McKanna

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of the  
Commission's Consideration of  
the Establishment of Voluntary  
Levels of Contribution to the  
NRRI by Utilities and Telephone  
Companies

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**PROCEDURAL HISTORY**

In 1976 the National Association of Regulatory Utility Commissioners (NARUC) established the National Regulatory Research Institute (NRRI) as an independent organization which would assist regulatory commissions with research and related activities.

Although the NRRI initially received significant federal funding, that funding ceased in the early 1980's. As a result, NARUC endorsed a formula calling for each state to contribute its fair share to fund the NRRI, based on either volume or total utility revenues. Based on this formula, the Minnesota share of the NRRI fiscal 1992 budget of \$2,487,000 is \$47,246.

The Public Utilities Commission (the Commission) and the Department of Public Service (the Department) were each able to contribute \$7,500 towards Minnesota's share of the 1992 NRRI budget; Minnesota's allocation shortfall was therefore approximately \$32,000. Because Minnesota state government is presently facing severe budget constraints, the two state agencies will not be able to increase their contributions in the foreseeable future, and may face budget cutbacks.

Because Minnesota's share of the 1992 NRRI budget cannot be met by the state agencies concerned with utility regulation, the Commission has considered alternative methods of funding the NRRI. On December 23, 1991, the Commission issued a notice to all Minnesota utilities and telephone companies. The notice solicited comments on the idea of establishing voluntary NRRI

contribution levels from utilities and telephone companies, with contributions recoverable in rates.

Between December 30, 1991 and April 1, 1992, written comments were received from numerous Minnesota utilities and telephone companies. The comments fell into three categories of response to the Commission's solicitation:

1. The Department, Northern States Power Company, Otter Tail Power Company and Peoples Gas Company filed comments in support of the funding method mentioned in the Commission's notice. Under this method, the Commission would issue an Order adopting an allocation formula for NRRI contributions from utilities, authorizing contributions, and allowing ratemaking treatment for contributions made.
2. Minnesota Power, Vista Telephone Company and GTE Minnesota favored a payment made by the Commission or the Department to the NRRI, with a subsequent assessment of utilities by the Commission. The assessment would be levied along with other regulatory expenses, pursuant to Minn. Stat. § 237.295, subd. 1 in the case of telephone companies, and Minn. Stat. § 216B.62, subd. 3 in the case of gas and electric companies. Parties favoring this approach argued that it would ease administrative burden and minimize possible rate case inquiries regarding the prudence of the companies' investment in NRRI.
3. Four local telephone companies<sup>1</sup> objected to any payment by telephone companies to the NRRI, either direct or indirect. The telephone companies stated that the payments were unnecessary and their ratepayers should therefore not be responsible for them.

Comments were also filed by representatives of NARUC, the NRRI and the Michigan Public Service Commission. The three commenting parties emphasized the importance of NRRI research to the regulatory community and urged the Commission to authorize full funding by utilities of Minnesota's NRRI allocation.

The Commission met on April 14, 1992 and on February 11, 1993 to consider this matter.

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<sup>1</sup> Mt. Rushmore Telephone Company, Sacred Heart Telephone Company, Starbuck Telephone Company, and Zumbrota Telephone Company.

## FINDINGS AND CONCLUSIONS

In its oversight of utility regulation, the Commission often deliberates on complex and weighty issues. The NRRI has proven to be a valuable resource for the Commission in its considerations. As an independent organization, the NRRI can provide insights which may complement or counterbalance information from utility research groups such as the Electric Power Research Institute and the Gas Research Institute. Because the Commission finds the NRRI of significant value, it considers the continued viability of the NRRI important. The Commission also notes that providing for the NRRI, either directly or indirectly, brings it in harmony with other state commissions who are providing for their share of the NRRI budget.

Because budget constraints render monetary support of the NRRI difficult if not impossible for the Commission, the support of the NRRI must fall to Minnesota utilities. This is fair to utilities and their ratepayers, because they will be benefitted by the Commission's use of this resource tool in its decisions.

The Commission will authorize voluntary direct contributions to the NRRI by Minnesota utilities and telephone companies. Because the contributions will be voluntary, no company will be burdened if changed circumstances render contribution difficult. The distribution of support will be equitable, because it will be allocated on the basis of Minnesota revenues. The Commission states that it will consider the contributions to NRRI a cost of service for ratemaking purposes, so utilities will not face uncertainty regarding ratemaking treatment, and may account for the contributions accordingly.

## ORDER

1. The Commission authorizes voluntary direct contributions to the NRRI by Minnesota utilities and telephone companies. A method of allocation, based on Minnesota revenues, will be developed by the Commission. The Commission will allow the direct contributions to be considered as costs of service for future rate case proceedings.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster  
Executive Secretary

(S E A L)